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August 14, 2002

Marlene H. Dortch, Secretary  
Federal Communications Commission  
236 Massachusetts Avenue, NE  
Suite 110  
Washington, DC 20002  
Attention: Wireline Competition Bureau, Telecommunications Access Policy Division

**RE: Joint Petition for Study Area Waiver  
Norway Rural Telephone Company and Iowa  
Telecommunications Services, Inc.  
CC Docket No. 96-45**

Dear Ms. Dortch,

In response to questions from the Commission's staff, Norway Rural Telephone Company ("Norway"),<sup>1</sup> and Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom ("Iowa Telecom") ("the Parties"), hereby submit additional information concerning the impact of the waivers on the National Exchange Carrier Association, Inc. ("NECA") pool and the interstate common line support ("ICLS").<sup>2</sup>

On April 19, 2002, NECA submitted to USAC, data necessary to project ICLS amounts for all rate of return carriers participating in the Common Line Pool. Accordingly, NECA submitted, on behalf of Norway (Study Area Code 351262) certain data that can be used to calculate the size of the impact upon the Common Line Pool when Norway acquires additional lines from Iowa Telecom. The NECA submission is attached to this letter. Certain data has been redacted because it is not needed to calculate the Common Line Pool impact and NECA has requested that projected cost and revenue data be treated as confidential, and withheld from public inspection.<sup>3</sup>

<sup>1</sup> On July 1, 2002, Norway Rural Telephone Company changed its name to Communications 1 Network, Inc.

<sup>2</sup> The Joint Petition For Expedited Waivers was filed on January 28, 2002. See, *Norway Rural Telephone Company and Iowa Telecommunications Services, Inc. d/b/a Iowa Telecom Seek a Wavier of the Definition of "Study Area" in Part 36 of the Commission's Rules and Waiver of Section 69.3(e)(11) and Section 69.605(c) of the Commission's Rules*, DA 02-375 ("Notice") (released February 19, 2002).

<sup>3</sup> Norway's ICLS and line count information submitted in this filing is publicly available at <http://www.universalservice.org/overview/filings>.

Based on NECA's projections of the annual ICLS support available to Norway and the number of acquired lines, the Parties estimate that as a result of this transaction, Norway will receive additional annual ICLS of \$45,851.63.<sup>4</sup> This calculation is in accordance with the rules regarding ICLS-related acquisitions,<sup>5</sup> and is shown below:

#### Estimated ICLS Amount For Iowa Transaction

Company / Study Area Code	Projected Annual ICLS (A)	09/30/2001 Lines (B)	ICLS/Line C=A/B	Acquired Lines (D)	Additional Annual ICLS E=C*D
Norway Rural Telephone Company / 351262	\$38,687.31 <sup>6</sup>	675 <sup>7</sup>	\$57.32	800 <sup>8</sup>	\$45,851.63

The additional annual ICLS is very small and similar transactions involving much larger ICLS impacts have been supported by NECA. Accordingly, the additional annual ICLS of \$45,851.63 should not significantly impact the Common Line Pool or impose administrative burdens on NECA.

The Parties believe that the additional ICLS is minimal and should in no way adversely affect grant of their petition. The Parties note that in the *MAG Order*,<sup>9</sup> the Commission specifically provided for the calculation of additional ICLS when a rate-of-return carrier acquires telephone exchanges from a price cap carrier. The Commission also found that the restrictions on the transfer of intrastate high-cost universal service support in section 54.305<sup>10</sup> of the rules should not apply to ICLS. According to the Commission, section 54.305 was necessary to prevent a potential increase in the acquiring carrier's universal service support payments from unduly influencing its decision to acquire exchanges. The Commission found that this concern is not present with respect to ICLS because ICLS for rate-of-return carriers will be based at least in part on an individual carrier's embedded costs. Thus, the Commission did not restrict the ability of

<sup>4</sup> Pursuant to FCC Rule Section 54.902(b)(1), Norway can update its line counts to include the acquired lines, and the ICLS will be adjusted based on the existing per-line ICLS of the acquiring company. These amounts, however, will be subject to the ICLS true-up once actual cost and revenue data are available.

<sup>5</sup> Correspondence with the NECA Director of Separations & Access Costs, August 8, 2002. The calculation involves the same methodology used by NECA for calculating such impacts.

<sup>6</sup> As noted in the April 19, 2002 NECA letter, the ICLS amount is not the "official" amount. Norway has not received a revised ICLS amount from NECA and Norway does not expect the reported figure to change in any significant way.

<sup>7</sup> Norway's historical access line count of 675 was accurate as of 9/30/01 and this number has not significantly changed since that time.

<sup>8</sup> The approximate number of access lines to be acquired (Corwith and Klemme exchanges) as stated in the Joint Petition. See Notice (DA 02-373).

<sup>9</sup> *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Second Report and Order and Further Notice of Proposed (continues)

Rulemaking, CC Docket No. 00-256, *Federal-State Joint Board on Universal Service*, Fifteenth Report and Order in CC Docket No. 96-45, *Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation, Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, Report and Order in CC Docket Nos. 98-177 and 98-166 (rel. Nov. 8, 2001).

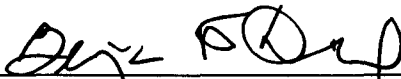
<sup>10</sup> 47 C.F.R. § 54.305.

carriers to receive additional ICLS in connection with the acquisition of exchanges.

Please contact us if you have any questions concerning these matters.

Respectfully submitted,

**NORWAY RURAL TELEPHONE COMPANY**

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Dated: August 14, 2002

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April 19, 2002

To: All Common Line Pool Participants

Re: Interstate Common Line Support (ICLS) Data Submission

Attached for your information is the study area-specific ICLS-related data that NECA submitted to the Universal Service Administrative Company (USAC) on your behalf, on April 18, 2002. NECA submitted data necessary to project ICLS amounts for all rate of return carriers participating in the Common Line pool. The projected cost and revenue data that were submitted covered the period July 1, 2002 through June 30, 2003. The actual line counts submitted were as of September 30, 2001. As provided under FCC rules, NECA has requested that projected cost and revenue data be treated as confidential, and withheld from public inspection.

As mentioned in our April 4, 2002 letter, common line revenue requirement (or average schedule settlement) amounts included adjustments for line port costs, transport revenue requirement shifts related to the Transport Interconnection Charge (TIC) and pool administrative expenses, and excluded universal service contribution expenses. End user revenues reflected the preliminary Subscriber Line Charge (SLC) rate band and forecasted test period line counts for your study area(s). Carrier Common Line (CCL) revenues were calculated using a NECA pool-averaged CCL rate in accordance with FCC rules.

Please note that, although we included a preliminary ICLS amount in the data provided to USAC, which is shown on the attached form for your information, this amount is not the "official" ICLS amount for your company. USAC will ultimately calculate ICLS based on the data submitted on April 18<sup>th</sup>.

If you have any questions, please contact your Region Member Service Manager.

Sincerely,

cc: Consultants

Attachment

Eastern Region 1-800-228-6366	Midwest Region 1-800-323-4953	Pacific Region 1-800-223-8495	Southern Region 1-800-223-7751	Southwestern Region 1-800-351-9033	Western Region 1-800-692-3322	North Central Region 1-800-228-0160
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Final Data for ICLS Purposes

Study Area Code	<u>351262</u>
Study Area Name	<u>NORWAY RURAL TEL CO</u>
Settlement Type	<u>Average Schedule</u>

Data Provided to USAC for ICLS Purposes on 4/18/02

7/01/02 - 6/30/03 Test Period Data

1 Common Line Settlement	<u>[REDACTED]</u>
2 End User Subscriber Line Charge (SLC) Revenue	<u>[REDACTED]</u>
3 End User ISDN Port Revenue	<u>[REDACTED]</u>
4 Special Access Surcharge Revenue	<u>[REDACTED]</u>
5 Carrier Common Line (CCL) Revenue	<u>[REDACTED]</u>
6 Long Term Support (LTS)	<u>[REDACTED]</u>
7 Interstate Common Line Support (ICLS)	<u>\$38,687.31</u>

9/30/01 Historical Access Line Counts

8 Residential/Single-Line Business Lines	<u>625</u>
9 Multi-Line Business Lines	<u>50</u>